

Report and Financial Statements

For the year ended 31 July 2020

Registered Charity No: SC021188



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The financial statements were approved and authorised for issue by the Board of Management on 15 December 2020.

Performance Report

OVERVIEW

Overview summary

This section of our financial statements is designed to give an overview of high level College performance and development during 2019/20. This information should be considered alongside other sections of these statements in understanding how our financial management and performance supports the College in achieving its high level outcomes.

Statement from the Principal

Dundee and Angus College is recognised as a top performing college in Scotland and has delivered sector leading outcomes for our learners on a consistent annual basis since merger in 2013. It is these performance outcomes that underpin the new [D&A College 2025 More Successful Students strategy](#) and [#moresuccessfulstudents](#) social media activity.

The College produces an annual Regional Outcome Agreement (ROA) that summarises the planned activities of the College in return for the public funds that it receives from the Scottish Funding Council. This work is measured through a common national measurement plan that links together the key priorities of the College with overall national priorities and expresses these through a range of specific targets, measures and outputs. Progress in respect of all of this activity is summarised within the agreement document and is [available on the College website](#).

Our academic performance remains strong for all ages and groups, and is particularly strong for younger learners and those from the most deprived communities.

To put this in context, our learners who come from the 10% most deprived postcode areas in Scotland (around 30% of our Dundee resident learners) achieved significantly higher than the Scottish average for learners from **all** socio-economic backgrounds. It is a similar picture for our younger learners, with those aged 18 and under performing at the highest level for any college in Scotland. In both cases, this performance helps to address the attainment gap within our communities, and supports more of our learners to progress and develop meaningful future careers.

The post course success of our learners is also strong, with over 95% moving on to a positive destination (employment or further study) following completion of their course. This performance is supported by our excellent links with local schools and universities and our extensive network of links and partnerships with business.

As a part of a comprehensive restructure of course and line management arrangements for the start of academic year 2019/20 the College created four new roles of Sector Development Leader with a specific focus on further growing and enhancing business links and opportunities. These new roles will play a significant part in supporting the post COVID economic and social recovery of our communities.

Dundee and Angus College plays a key role within our communities, and is integrated fully within both of our local Community Planning Partnerships (CPPs) and economic development forums.

Performance Report (continued)

This includes direct engagement and input into the developing opportunities arising through the Tay Cities Deal.

We lead on the development of the school/college curriculum and infrastructure to deliver on the Developing the Young Workforce (DYW) strategy in our region and continue to grow our senior phase and Foundation Apprenticeship activity with our regional schools. These opportunities and developments have continued through lockdown, with the College and education authorities working closely and productively to support young people through their chosen learning journey.

The College's school-college partnership continues to perform strongly with further growth in Foundation Apprenticeship opportunities, showing an increase of 30% uptake from August 2019 to August 2020 (260 to 340). This growth originates from a baseline of 40 in August 2018 and demonstrates our ability to deliver increased opportunities and outcomes for young people in the Dundee and Angus region.

The close and productive collaboration between Dundee and Angus College and Angus and Dundee local authority areas has underpinned the successful bid to Skills Development Scotland for the delivery of the new Foundation Apprenticeships at SCQF levels 4 and 5 for our region. The contract was awarded following a successful work based learning pilot that concluded in 2019.

The total value of this new contract is £215k and will offer 94 new opportunities for Senior Phase pupils in the subject areas of Construction and Hospitality.

All of our successful growth in senior phase provision has been driven by changes in the way we work with our schools and local authority partners, using the innovation of service design to create our successful Dundee and Angus Schools Strategic Engagement Plan & Operational Activities Plan.

Performance Report (continued)



Dundee & Angus Schools Strategic Engagement Plan & Operational Activities Plan



This plan is supported by the our Academic Partnership Team (which has brought together College staff with specific responsibilities for the development and growth of school links, foundation apprenticeships, university articulation and international projects into a single team). This work is designed to maximise the partnership working and opportunities available from school to college and on to university. This supports College activities in line with the [Scottish Government Learner Journey Review](#).

Student outcomes for our senior phase and DYW provision are of a similar high level to those for other student groups. All of the outcomes reported through these financial statements are down to the commitment and hard work of our staff.

Like all organisations, 2020 has been particularly challenging because of the COVID-19 pandemic. For Dundee and Angus College, however, the pandemic came only a few weeks after the College suffered a major cyber-attack.

This attack crippled many of the Colleges’ core ICT systems and resulted in the loss of a significant range of staff files, information and teaching and assessment materials. The rapid work undertaken to overcome the cyber-attack has been praised at a national level, and steps taken at that time to move all students and staff to Office 365 have been beneficial in supporting College activities in lockdown.

Performance Report (continued)

Work progressed during academic year 2018/19 to create and implement a new academic management structure across the College, with the new appointments in this structure taking effect from August 2019. This meant that almost all of the academic managers in place during two major business continuity crises were new in post. Alongside their more experienced colleagues, these new Managers have risen to the challenges faced and (utilising our D&A Way Leadership framework) have provided excellent support to staff during the most difficult and challenging of times.

This input was recognised by staff through a short 'pulse' survey undertaken 8 weeks into lockdown (May 2020) and again 6 months later (October 2020). The positive response percentages from the October 2020 survey are outlined, along with the equivalent May 2020 results:

- **94%** of respondents **agree** or **strongly agree** that they have the information they need relating to what's happening at D&A in terms of Covid-19 (96% in May 2020 -2%)
- **93%** of respondents **agree** or **strongly agree** that their manager/s are keeping them informed with relevant information (92% in May 2020 +1%)
- **94%** of respondents **agree** or **strongly agree** that they have the support of their team and / or other staff to help them (94% in May 2020 – same%)
- **80%** of respondents **agree** or **strongly agree** that they have the tools, skills, training and support to enable them to work from home (84% in May 2020 -4%)
- **89%** of respondents **agree** or **strongly agree** that they know where to get help or support on a range of topics (94% in May 2020 -5%)

Staff across the whole College have pulled together to ensure that our students continue to receive an excellent service despite the cyber-attack and lockdown. This has resulted in the excellent outcomes reported below and throughout these statements.

College staff have also played a significant role in national developments and in the response to the COVID-19 pandemic. This has included involvement and leadership of national response groups, and major inputs into activities such as holistic assessment arrangements to allow students to complete their qualifications.

The College continues to invest in our infrastructure, prioritising investment in backlog maintenance whilst continuing to progress options to regenerate the Kingsway campus.

At the end of 2017, the Scottish Funding Council published a condition survey of college estates which sets out the current levels of backlog maintenance and the potential cost of bringing estates up to an acceptable condition. The total cost identified for the three main campuses was £11.8m, excluding VAT and a range of costs including professional fees. If these are taken into account, the total would be expected to be in the region of £26m, just over 7% of the sector total of £363m.

Performance Report (continued)

Although lockdown and the subsequent mitigations required to stem the transmission of COVID-19 delayed some of the planned maintenance works the following projects were progressed:

- External Cladding on our Arbroath CALC building
- Mechanical infrastructure upgrades in our Arbroath Clova, Gardyne and Kingsway Tower buildings and Electrical infrastructure upgrades in our Arbroath Clova and Kingsway Tower buildings
- Internal Fabric, decoration and flooring enhancements in Arbroath, Gardyne and Kingsway campuses
- External tarmac repairs on our Kingsway campus.

In line with the Estates Strategy approved by the Board of Management in 2019 the College continued to develop plans for the transformation of the Kingsway Campus.

The work associated with the full design for the Kingsway Tower Redevelopment was completed with the cost of the overall project being projected at £4.5m (excluding VAT). Due to the pandemic, the timescales for the various elements of the project were reprofiled into two phases;

Phase 1 (2020):

- Creation of the Hair, Beauty and Complementary Therapies Facility
- Creation of part of the new social space and frontline services

Phase 2 (2021):

- Completion of the new social space and frontline services
- Creation of the new training restaurant
- Creation of the new Learning and Digital Resources facility

In June 2020, the College was delighted to successfully secure funding from Dundee and Angus Foundation to enable the project to proceed, using SFC Backlog Maintenance Funding for the balance of monies required.

<i>(exclusive of VAT)</i>	Capital Backlog Maintenance Element	Dundee and Angus Foundation Element	Total Cost of Project
Phase 1 Projects	£1,202,690	£2,174,740	£3,377,430
Phase 2 Projects	£547,570	£574,177	£1,121,747
Complete Project	£1,750,260	£2,748,918	£4,499,178

During the construction work over the summer, the creation of the Hair, Beauty and Complementary therapies facilities in the vacated Digital and Learner Resources (Library) annex hit a major snag. Consultants discovered that the existing concrete slab roof was showing signs of deflection which was outwith acceptable tolerance levels. Subsequent extensive investigation identified that the construction of the existing concrete slab did not comply with the code of practice required at the time of the original build, back in the 1960s. Despite best efforts to identify options to make the building structurally safe, in September 2020, it was clear that a solution was not possible, which would thereby require the existing annex to be demolished.

Performance Report (continued)

Work is ongoing to determine whether this slab defect is replicated on any other part of the Kingsway campus. Initial findings are that the lecture theatre roof slab does have the same defect and so the roof will be removed as part of the upcoming demolition works. The only other roof where the slab defect could be replicated is on the former gym block which is now a dance studio. Investigations are currently ongoing on this roof and the report, findings and recommendations are expected early in December 2020.

Professional fees such as architects, mechanical & electrical services and structural & civil engineer services as well as preliminary costs have been incurred to progress with the initial development and therefore there will be some element of sunk costs associated with this.

The original aspiration for the provision of state of the art facilities for students remains, however this unforeseen defect understandably has had an impact on the plans for the Kingsway Tower redevelopment, the consequences of which are being explored, with support from the SFC and Dundee and Angus Foundation.

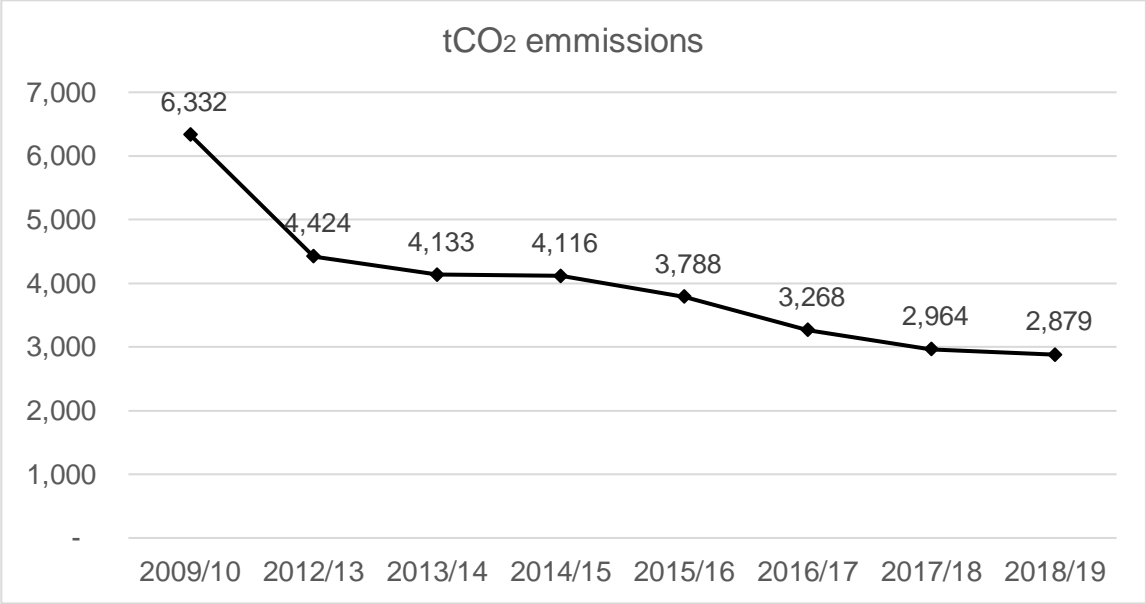
As part of the overall Estates Strategy for the Kingsway Campus the SFC funded an Outline Business Case for the development of a new build STEM Centre on the Kingsway Campus. This work progressed well however was also impacted, initially by the cyber-attack and thereafter by the pandemic, which required senior staff to reprioritise workload. SFC continue to be updated on the progress of this work.

It has been another hugely successful year for the Environment team in terms of meeting carbon reduction targets, but also in terms of raising awareness to influence students and staff to become more socially responsible and environmentally aware.

Work continued through 2019/20 to further develop our environmental sustainability practices and address concerns in respect of the climate emergency. For the tarmac repairs on our Kingsway campus referenced above the materials used were recycled plastic bottles. The 2018/19 Mandatory Climate Change Report highlighted that the College's carbon footprint has fallen for the 10th consecutive year. The College has now more than halved its carbon footprint (54.6%) from the level in 2009, following signing up to the Universities and Colleges Climate Commitment for Scotland.

The table below highlights the fall in carbon footprint for the period 2010 -2019.

Performance Report (continued)



Dundee and Angus College enjoys significant success across a wide range of activities and has been recognised nationally through a number of prestigious awards. During 2019/20 these have included:

- The Herald Pioneer awards win in the Climate Neutral category for the sustainability zero plastic waste work that we undertake.
- College Development Network awards win for Colleague of the Year (A Cathro, Health & Safety Officer) for his LOCHER project work
- College Development Network awards win in the Sustainability category.
- SQA Star Awards Highly Commended placing for our Zoo Animal Welfare and Behaviour course.
- UK wide Green Gown awards win in the Campus Health, Food and Drink category for zero plastic waste.
- UK wide Times Ed FE Awards shortlist places for WorldSkills Unsung Hero (M Swan) and in the Professional Service Category for our Help Point Service. Due to the COVID-19 pandemic these awards have been postponed to October 2020.
- UK Lord Cullen Award for Innovation in Health and Safety – LOCHER Project, the first College ever to win the trophy two years in a row.

Purpose and Activities of the College

Dundee and Angus College is a public body constituted under statute and a Scottish charity (SC021188). It was designated a Regional College in November 2013 under the Post-16 Education (Scotland) Act 2013. The constitution and proceedings of the Board of Management are determined by the Further and Higher Education (Scotland) Act 1992, as amended.

Performance Report (continued)

The core purpose of the College is the provision of further and higher education in the Dundee and Angus region. It delivers education programmes on a full-time and part-time basis to over 15,000 students annually across three main campuses, one in Arbroath and two in Dundee (Kingsway and Gardyne).

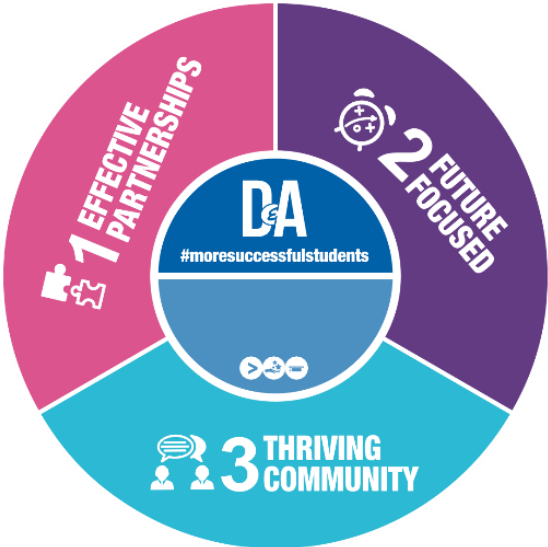
The College’s mission is to generate regional economic growth and social well-being through the provision of skills and education for individuals, employers and the wider community. The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential to its on-going success, ensuring it continues to attract students and grow external partnerships.

Our 2020 vision was to be seen as a vibrant, dynamic and confident college that inspires success in its students and staff, and delivers outstanding performance. This vision has served its purpose well, with the ambitions underpinning being achieved and evidenced through the Good to Great transformation programme. Following on from this, the Board of Management adopted a new 2025 strategy and vision in December 2019. This strategy is titled More Successful Students, and is focused firmly on enhancing student opportunities, outcomes and success by working with others across our region.

2025 Vision



To create more successful students through effective partnerships that change lives and create thriving communities.



Performance Report (continued)

Our 2025 Strategy is based around 3 core pledges and is supported by seventeen detailed metrics. [Further details are available on our website.](#)

In order to ensure that it provides educational opportunities that meet the social and economic needs of the region, the College works closely with a number of regional partners, including Dundee City Council, Angus Council, NHS Tayside, Community Planning Partnerships in Dundee and Angus, Abertay University and the University of Dundee. We have a number of other key stakeholders, including national agencies, for instance the Scottish Funding Council, Scottish Enterprise and Skills Development Scotland, as well as local schools, employers, other colleges, and the local community. We also engage with a range of international partners in the spheres of education and business.

The primary source of funding for the College is its teaching grant from the Scottish Funding Council. Under the terms of the most recent Regional Outcome Agreement, the College has committed to delivering the following priority outcomes by the end of 2020-21:

1. To be a key contributor to the economic growth opportunities created by the Dundee Waterfront, Tay Cities Deal, Michelin Scotland Innovation Parc and other developments.

Establishing the College as the main skills partner for major regional economic opportunities working as an effective partner to deliver a skilled and work ready workforce to support jobs growth in areas such as digital, hospitality, cultural tourism, renewable energy, advanced manufacturing, and care sectors.

2. To deliver a comprehensive, innovative and future focused curriculum that meets learner and economic needs, improves learner attainment and progression, and embeds essential learner attributes in enterprise, career management, digital and metaskills at all levels.
3. Contribute to thriving and resilient regional communities by ensuring seamless access and inclusive learning opportunities and services, irrespective of background, for all members of our community. We will meet national ambitions for Care Experienced and other disadvantaged/under-represented groups and contribute fully to the achievement of the recommendations contained within A Blueprint for Fairness: The Final Report of the Commission on Widening Access.
4. Deliver the outcomes of Developing the Young Workforce – Scotland’s Youth Employment Strategy, working in close partnership with our local DYW Group, employers, schools and the university sector to deliver streamlined learning and skills opportunities that shorten learner journeys and enhance employment and progression opportunities.
5. Maintain a regional college that is sustainable in all its forms, delivering sound governance, wellbeing, and effective financial management, whilst addressing the challenge of the climate emergency, underpinning the international sustainable development goals, and directing the maximum level of resource towards learners and their learning.

Performance Report (continued)

6. Progress our ambitious estates strategy to meet regional curriculum needs and enhance the learning environment through the creation of a regional STEM centre, redevelopment of the Kingsway tower, and investment to meet regional skills needs.

The College actively mainstreams equality in accordance with the Equality Act 2010 and celebrates the diversity of all people who are directly and indirectly involved in the College.

The College aims to ensure that all staff, students and other stakeholders are treated equally, regardless of age, disability, family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, or unrelated criminal convictions. In addition to tackling discrimination, the College also supports and fosters good relations between individuals with different characteristics and undertakes a significant amount of work in this area through its RESPECT brand and campaigns.

Social Matters

As detailed above, one of the priority outcomes of Dundee and Angus College is to contribute to a fair and just society through the services we provide and through the way in which the College operates. The College operates a wide range of strategies, policies and approaches to underpin this commitment, including extensive work to address issues such as gender inequality within the curriculum. The College has clear strategies and targets to improve outcomes for carers, care experienced and estranged students.

Commencing in March 2019, the College has run a very successful project aimed at reducing and eradicating Child Poverty. This project has engaged with hundreds of disengaged young people, providing a supported pathway through into formal education. This work has continued through lockdown and the COVID-19 restrictions, supporting some of our most vulnerable young people during this critical period. [A case study of one of the young people supported by this work is available here.](#)

Our governance codes, D&A way leadership excellence framework and fraud policy have strong anti-corruption and anti-bribery provisions and detailed operating procedures provide the checks and controls necessary to ensure that these commitments are met and evidenced in day-to-day operations.

The College is a Living Wage Employer, and provides a wide range of support and benefits for staff.

The College has an up to date Modern Slavery statement and procedures and has well established checks in place to avoid engaging with any organisation with serious organised crime connections. Guidance has been issued to staff on spotting and responding to human trafficking. Revised guidance has also been adopted to support the College's duty of care in respect of its Prevent responsibilities.

Performance Report (continued)

Key Risks and Issues

The College identifies risks within its Strategic Risk Register as detailed below on pages 34 and 35. Given the current COVID-19 pandemic, and in line with Audit Scotland good practice, the College has also created a COVID-19 Specific Risk Register and is using this to support the identification and planning of the additional mitigations required in respect of the pandemic.

Critical within these risks is on-going financial sustainability. The 2019 Audit Scotland's report on Scotland's colleges highlighted that Colleges are operating within an increasingly tight financial environment. Audit Scotland and SFC identified a range of financial challenges being faced by Colleges including:

- increasing cost pressures
- a reduction in the proportion of non-government income that the sector has generated over recent years, with systemic challenges of diversifying income and generating additional surplus for investment
- money held by arm's-length foundations and cash balances are reducing substantially
- prospective changes to the funding model and colleges' ability to deliver regional outcome agreements and meet the core student activity target of 116,000 Full Time Equivalent (FTE) places and other key performance measures
- The impact of cost efficiencies, including reduced staff numbers and frontline student services, on both the quality of student experience and on the health and wellbeing of college staff
- Additional staff costs arising from both cost of living pay awards and the outcome of the national bargaining job evaluation exercise for support staff
- Increases in employer contributions to the Scottish Teacher's Superannuation Scheme and Local Government Pension Schemes
- Addressing backlog estates maintenance and ICT / digital investment requirements
- The balance of portfolio of provision and how that impacts on student numbers

The impact of the COVID-19 crisis will significantly exacerbate an already very difficult financial and operating environment.

Colleges are reliant on external grant funding to meet backlog maintenance requirements, invest in IT and other equipment, and carry out improvements to the estate. The College is thankful for the flexibility to use the SFC Capital Backlog Maintenance monies on ICT infrastructure following the need to move to remote working and delivery of learning and teaching in March 2020.

With tight funding settlements and mounting cost pressures already a challenge, with the addition of responding to the impact of COVID-19 the financial outlook for the College will be increasingly challenging. Alongside the usual focus on efficiencies and the unlikelihood of significant growth in profitable activities the College will focus on supporting the Tayside Region's economic recovery. This will mean that we will aim to maximise opportunities to access new sources of funding and actively support and engage in Tayside-wide or National initiatives that support recovery whilst also supporting our ability to achieve a balanced financial position.

Performance Report (continued)

The College initially delayed seeking formal approval for the 2020/21 Budget amidst such uncertainty that COVID-19 introduced. However in September the Board did approve an operational budget that was marginally cash positive. The most notable risks were highlighted and evaluated, particularly those out with the College's control. With careful management we believe that these can be contained without posing a substantial threat to cash flow over this period.

Going Concern

As set out in the Accountability Report which follows this Performance Report, the Board of Management considers that the College has adequate resources and arrangements to ensure the continuation of its functions within the public sector for the foreseeable future.

Performance Summary

The Statement of Comprehensive Income shows a deficit for 2019-20 of £3.8m. However, this includes non-cash items such as depreciation and pension adjustments and, if these are excluded, there was a surplus of £1.0m.

After working capital movements, this resulted in a net cash inflow from operating activities of £2.2m, along with investing and financing cash outflows totalling £0.6m. The total net cash inflow of £1.6m resulted in a closing position of £3.7m.

Student credits are the measure of activity upon which College funding is based, with each credit representing 40 hours of learning for a student (irrespective of subject area, mode of delivery etc.). Each College in Scotland has an annual credit target that must be achieved relative to the funding it receives. During 2019/20 the College successfully delivered student activity of 108,331 credits, exceeding the final target of 108,068 credits following an in-year distribution of an additional 333 credits.

The College's academic performance was once again outstanding and it is amongst the highest performing colleges in the sector for both further and higher education, well above the national average.

PERFORMANCE ANALYSIS

Methodology

Over recent years the Board of Management has developed and refined a series of Board and Committee metrics that it uses to monitor performance, the following metrics are produced for consideration at each Board meeting. These metrics draw on the balanced scorecard methodology and link together a number of data sources into a single high level report which is submitted to each Board meeting. [Board papers can be accessed on our website](#). Where appropriate, this report includes comparison with benchmarks, for instance previous year or Regional Outcome Agreement target. A summary of performance on these measures is detailed below.

Measure	Comment on 2019/20 Performance
1. Student Successful Completion Rate (pass rates)	See Summary below
2. Early Withdrawal Rate	+ 1.7% improvement
3. Further Withdrawal Rate	-1.5% decline
4. Post Course Destination Success rate	Static at 95%
5. Overall satisfaction score from most recent student survey	+2% improvement
6. Overall satisfaction score from SFC national student survey	Not completed due to COVID
7. Forecast credit out-turn	Target exceeded
8. Student Recruitment figures, FT and PT	Targets achieved
9. Employee Engagement and Happiness Indices	Engagement +12% Happiness +1%
10. Employee Absence Rate (Lost time rate)	2.3%
11. Staff Headcount and FTE data	On target
12. Cash-backed surplus/deficit: year-end forecast v annual budget	See financial performance section
13. RIDDOR reportable accidents	Reduced to 1
14. Audits completed vs Planned	All completed on target

The measures are intended to provide high level indications of College performance, with the detail resting with the relevant Board Committee: Audit & Risk; Finance & Property; Learning, Teaching & Quality; Human Resources & Development. At these individual Committees further metrics are reviewed to provide a robust overview of real-time College performance and to alert Board members to any potential areas of concern.

Financial Performance

The following table summarises the key performance metrics contained in the financial statements for the year to July 2020, along with comparatives for the previous year.

Performance Report (continued)

Metric	2019-20	2018-19
	£'000	£'000
Total comprehensive income	(14,079)	(5,524)
Consolidated surplus/(deficit)	(3,777)	(2,344)
Underlying operating surplus/(deficit), before loan repayment	1,500	2,820
Total net cash inflow/(outflow)	1,607	978
Cash balances	3,757	2,150
Accumulated reserves	13,842	27,921
Long-term loan outstanding	3,632	4,114
Pension liability	26,704	13,641
Property, plant & equipment	69,786	74,450

The consolidated result for the year is a deficit of £3,777k. As explained below, this is effectively a “paper” loss, a consequence of the reclassification of colleges in Scotland as central government bodies. It reflects non-cash expenditure items as well as the cash expenditure supported by the funding related to these non-cash items. If the result is adjusted for non-cash and non-recurring items, the adjusted result shows a surplus of £1,500k for the year, compared with a surplus of £2,820k the previous year.

Going forward, the College requires to generate an adjusted surplus of £457k in order to meet future annual capital loan repayments. A repayment holiday was however negotiated for 2020/21 in order to protect cash during the heightened risks from covid impacts on future revenues. As can be seen from the table, after loan repayment and working capital adjustments, there was a net cash inflow of £1,607k. With a loan balance of £3,632k at 31 July 2020, there now remains 7 repayments due before this liability is discharged, with the final repayment in June 2027 now including the instalment deferred from August 2021.

Reserves at the year end are £13,842k, a reduction of £14,079k, being the value of Total Comprehensive Income. The net pension liability has increased by £13,063k as a result of changed assumptions on life expectancy, investment returns, and pension increases.

The net book value of fixed assets decreased during the year by £4,664k following a depreciation charge of £5,727k partially off-set by an increase in valuation of land and buildings of £894k. Assets in course of construction at 31 July of £77k represents costs of a nursery extension and Equipment additions of £92k are comprised of new vehicles purchased during the year.

Student Outcomes

The College has worked closely and positively with Education Scotland (EdS) and SFC under the national '[How Good is Our College](#)' quality arrangements. This includes the development and publication of biennial quality reports and enhancement plans that are validated and published by SFC and EdS. Copies of these documents are available through the Education Scotland website. [Evaluative Report for 2017-18 and Enhancement Plan for 2018-2019](#).

Performance Report (continued)

College performance is graded within these reports on a six-point scale (Unsatisfactory – Excellent) and the most recent published grades for Dundee and Angus College are:

Quality Principle	Grade
Outcomes and Impact	Very Good
Delivery of Learning and Services to Support Learning	Very Good
Leadership and Quality Culture	Excellent

We place a high level of importance on learner satisfaction and engagement in improving and enhancing our services and outcomes. This includes the direct involvement of hundreds of learners each year through a series of service design events and engagement opportunities designed to inform future service and curriculum approaches.

We normally undertake two major learner satisfaction surveys each year, receiving c6,000 responses to these annually. During 2019/20 however, the second of these surveys was postponed due to the COVID-19 pandemic and lockdown. The annual student satisfaction survey run by the Scottish Funding Council (SFC) was also postponed.

We survey learners during October each year to generate feedback on recruitment, induction and early experiences of learning. We conduct a further survey in March to gain a fuller picture of learners' experience and feedback in respect of learning and teaching. During 2019 the survey approach was refreshed (building extensively on student input) and a revised survey issued. This survey generated almost 4,000 responses and outcomes remain strongly positive, with an overall satisfaction rate of over 83% achieved.

All survey outcomes are broken down by individual class groups, and Course Teams review and reflect on this feedback and identify and implement outcomes as a core part of our quality arrangements.

The Scottish Funding Council normally carries out a survey across all colleges which in previous years has shown that a significantly higher proportion of participating students from Dundee and Angus College were either satisfied or very satisfied with their overall experience, compared with the sector averages. This survey did not run in 2019/20 due to COVID-19, but should be repeated again in 2020/21.

The Dundee and Angus Students' Association (DASA) support a range of feedback and quality improvement mechanisms directly through c300 trained class and lead representatives, and operate a highly innovative 'Feedback Friday' system to generate qualitative data to inform their work and improve student life. This work had continued through lockdown, with the Students' Association making extensive use of on-line feedback mechanisms (such as Padlet and Miro boards) and playing a key role in providing student input into all of our 'Project 2020' reopening plans.

Performance Report (continued)

The key student outcomes for all colleges are drawn from our [Further Education Statistics](#) (FES) data that is developed and shared nationally with the Scottish Funding Council. This data provides a clear outline of the proportion of learners that achieve a successful outcome based on all of those learners enrolling in college on ‘day one’. This approach ensures that the outcomes for every learner is captured on a consistent and transparent basis across the sector.

Day One successful outcome data is published nationally by SFC in January/February of each year. Previous years data and the pre-published outcome data for the College for 2019/20 is as follows.

Mode	Day One Successful Outcome		
	17/18	18/19	19/20
All Modes	76.5%	75.9%	76.5%
Full Time – All	74.9%	70.8%	73.8%
Full Time – FE	75.4%	70.2%	72.3%
Full Time – HE	76.2%	71.7%	76.5%
Part Time – All	79.0%	80.8%	80.3%
Part Time – FE	78.4%	81.4%	80.3%
Part Time – HE	76.9%	75.8%	80.6%

Student outcomes fluctuate year-to-year, and as a result on-going trend analysis is used nationally to assess progress. Overall outcomes remain strongly positive and the three-year trend on what were already sector leading outcomes is stable.

Climate Change (Scotland) Act 2009

The Climate Change (Scotland) Act 2009 set outs measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which Dundee and Angus College is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the College is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Act, along with copies of prior year national reports, [can be found here](#).

Cash Budget for Priorities

One consequence of reclassification of colleges as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for

Performance Report (continued)

budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) which were previously earmarked for depreciation.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below. Additionally, increased costs arising in previous years which are recurrent and not directly funded, contribute to the college deficit.

Table of cash budget for priorities spend		
	2019/20	2018/19
	£'000	£'000
Revenue		
2015-16 Pay award	473	473
Voluntary severance	96	11
Total impact on operating position	569	484

Capital		
Loan repayments	486	571
Total Capital	486	571
Total cash budget for priorities spend	1,055	1,055

Underlying Operating Position

To enable a clearer understanding of the College's financial performance, the consolidated deficit is adjusted below for certain specified items. These adjustments are prescriptive, and include non-cash charges, capital grants recognised as income, and other commitments funded from revenue but which are excluded from the Consolidated Statement of Comprehensive Income.

Underlying operating position		
Revenue	2019/20	2018/19
	£'000	£'000
Surplus/(deficit) before other gains and losses	(3,777)	(2,344)
Add back:		
Depreciation (Note12) (net of Deferred Capital Grant release (Note3+5))	3,010	3,012
Exceptional non-restructuring costs – Impairment	-	-
Non-cash pension adjustment – Net service cost (Note9)	1,993	1,945
Non-cash pension adjustment – Net interest cost (Note16)	274	207
Non-cash pension adjustment – Early retirement provision (Note17)	-	-

Performance Report (continued)

Deduct:		
Non-Government capital grants	-	-
Revenue funding allocated to loan repayments (Note15)	(486)	(571)
Underlying operating surplus/(deficit)	1,014	2,249

Creditor Payment Policy

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the financial year to 31 July 2020, the College incurred no interest charges in respect of late payment for this period.

The Scottish Government is committed to supporting business by paying bills more quickly, with the intention to achieve payment of all undisputed invoices within 10 working days.

The College is committed to the principles of The Better Payment Practice Code by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. Consequently, in the absence of any alternative arrangements, all suppliers are placed on immediate payment terms. In 2019/20 the average credit taken was 18 days however this has been distorted by the unusually high level of supplier invoices being received immediately prior to the year-end. This was due to the resumption of purchasing following the lull caused by COVID-19 and combined with the high level of construction activity at that time.

Simon Hewitt
Principal



ACCOUNTABILITY REPORT

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report and is signed by the Chair and the Principal.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report comprises the following sections:

- Directors’ Report
- Statement of the Board of Management’s Responsibilities
- Governance Statement
 - Statement of Compliance
 - Governance Structure
 - Corporate Strategy
 - Board’s Statement on Internal Control
 - Going Concern

Directors’ Report

Dundee and Angus College’s Board of Management is constituted in accordance with the requirements of the Further and Higher Education (Scotland) Act, 1992 and complies with further requirements as set out in the Further and Higher Education (Scotland) Act 2005 and the Post-16 Education (Scotland) Act 2013.

The Board comprises lay members, employees and two student representatives. The roles of the Board Chair and Vice Chair are separated from the role of the College Principal, who, as Chief Executive, holds the only executive role on the Board. In line with good governance practice, the Board has also appointed one of its members as ‘senior independent member’ to whom any member of the board can refer to seek advice or to raise any matters of concern.

A list of Board Members for 2019/20 is included on the page 23. Board Members’ Register of Interests is available via the [enclosed link on our website](#). The Board has five standing committees, the roles of which are explained at pages 28 and 29.

Board of Management				
Audit & Risk	Finance & Property	Human Resources and Development	Learning, Teaching and Quality	Chairs

The Executive Leadership Team is responsible for the day-to-day management of Dundee and Angus College’s activities and operations. A list of Executive Team members is included below:

Accountability Report (continued)

Name	Designation	Note
Grant Ritchie	Principal	Retired 31/07/20
Simon Hewitt	Vice Principal Curriculum and Attainment	Up to 31/07/20
	Principal	Started 01/08/20
Steve Taylor	Vice Principal People and Performance	
Jaki Carnegie	Vice Principal Corporate Services	
Julie Grace	Director of Curriculum and Attainment	
Kevin Murphy	Director of Curriculum and Attainment	

DUNDEE AND ANGUS COLLEGE - Board of Management Membership – 1 August 2019 – 31 July 2020

	Appointed	Term Ends	Status of Appointment	Profession/Specialism	Chairs
Angela McCusker Regional Chair	July 2014	03/07/22	Scottish Government Appointment	Business, Management, Finance	Board of Management Chairs Committee
George Robertson Vice Chair	March 2015	31/03/23	Ordinary Member	Finance, Management	Audit & Risk Committee
Grant Ritchie	August 2015	31/07/20	Principal		
Simon Hewitt	August 2020	-	Principal		
Gary Bissett	June 2014	31/05/21	Ordinary Member	HR, Management, Manufacturing	
Donna Fordyce	April 2017	30/04/21	Ordinary Member	Economic Development, Enterprise, Fisheries, Retail Management	
Steven Mill	June 2014	31/05/21	Ordinary Member	Finance, Management	Finance & Property Committee
Pamela Milne	March 2015	31/03/23	Ordinary Member	HR, Management	Human Resources and Development Committee
Trisha Pirie	April 2017	30/04/21	Ordinary Member	Economic Development, Commercial Management, Enterprise	
Margo Williamson	June 2014	31/05/21	Ordinary Member	Management, Education	Learning, Teaching & Quality Committee
Steven Watt	March 2015	09/09/19	Ordinary Member	ICT Management	
Michael Thomson	August 2018	-	Co-opted Member		
Kirsty Key	January 2019	31/12/22	Ordinary Member	Commercial, Governance, Third Sector Management	
Helen Honeyman	January 2019	31/12/22	Ordinary Member	Risk, Governance, HR Management	
Donald Mackenzie	January 2019	31/12/22	Ordinary Member	HR & OD, Corporate Communications Management	
Neil Lowden	January 2019	31/12/22	Ordinary Member	Educational Management, Learning & Teaching, Educational Policy	

Barry Carmichael	April 2019	31/03/23	Teaching Staff Member	Teaching Staff	
Sam Stirling	August 2019	31/07/23	Non-Teaching Staff Member	Non-Teaching Staff	
Cher Meldrum	August 2019	31/07/21	Student Member	Student	
Amy Monks	August 2019	31/07/21	Student Member	Student	

Statement of the Board of Management's Responsibilities

In accordance with the Further and Higher Education (Scotland) Act, 1992 the Board of Management is responsible for the development and operational oversight of College strategy and outcomes. This includes the creation of future strategy, the educational character of the College and administration and management of the College's affairs, including approving the Regional Outcome Agreement (Priority Outcomes are referenced on pages 7&8) and ensuring an effective system of internal control in respect of activities, expenditures and outcomes. As a part of these requirements, the Board of Management is required to present audited financial statements for each financial year.

In understanding these financial statements, the following Board of Management responsibilities in respect of the proper use of College funds is important.

The Board of Management maintains a rolling five-year financial strategy that aids decision making and oversight in respect of financial sustainability, whilst informing short and medium term financial planning and control. The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College. This ensures that financial statements are fully accurate and meet the requirements of the Further and Higher Education (Scotland) Acts (1992 and 2005), the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2019-20 Government Financial Reporting Manual (FRoM) issued by HM Treasury and other relevant accounting standards.

Within the terms and conditions of the Financial Memorandum agreed between the College and the Scottish Funding Council, the Board of Management approves financial statements for each financial year that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

The Principal provides a signed Certificate of Assurance each year, confirming that a review of the internal control arrangements of the College has been undertaken and that these controls have been, and are, working well. This Certificate of Assurance supports the Accountable Officer for the college sector (the Scottish Funding Council Chief Executive) to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government.

In approving the annual financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

Accountability Report (continued)

- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- Establish that the auditors are aware of all relevant information, and that there is no relevant audit information of which the auditors are unaware
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure

The key elements of the College's system of internal financial control that discharge the responsibilities set out above include the following:

- a comprehensive medium and short-term financial planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, reviewed and approved annually by the Board of Management and monitored regularly by the Finance & Property Committee
- a suite of reporting that involves regular reviews of key performance indicators monitored by the appropriate Board Committee
- a Strategic Risk Register that is monitored and reviewed regularly by the Board and the Audit & Risk Committee (more detail on the Risk Register is provided on page 26)
- clear definitions of the responsibilities of, and the authority delegated to senior staff which is reviewed periodically by the Board of Management
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management

Accountability Report (continued)

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and Finance & Property Committee
- the College has appointed Internal Auditors whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control (more detail on the work and opinion of the Internal Auditors is provided on pages 33 and 34)

Governance Statement

Introduction

Dundee and Angus College is committed to maintaining and delivering good practice in all aspects of corporate governance. This governance statement is written to assist the reader of the financial statements understand how these principles have been applied.

This governance statement supplements the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2020 and reports the Board's assessment of the effectiveness of these arrangements.

Statement of Compliance

The College complies in full with all the principles and requirements of the 2016 Code of Governance for Scottish Colleges with the exception of the role of the Secretary to the Board. The Code of Good Governance states: "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time."

The Board of Management have appointed the Vice Principal People and Performance as Secretary to the Board, who reports directly to the Chair in relation to their Board Secretary duties, in order to prevent any conflicts of interest. The Board is satisfied with this arrangement, and the independence and appropriateness of the governance role fulfilled by the Board Secretary. The Board of Management have no current plans to change this arrangement.

Governing Body and Governance Structure

The Board of Management operates a formal structure of Board and Committee meetings (referenced on pages 28 and 29), supported by clear agendas, minutes and supporting papers, reports and information, all of which supports good planning, decision making and governance. Agendas and cycles of reporting have been developed over time to ensure that the Board and Committees can review and monitor the College's effectiveness, progress and performance against key priorities.

The Board actively evaluates its own effectiveness and contribution to the College through a series of indicators that reflect its impact on the College as a whole. Each evaluation is supported by a development plan of improvement actions that are recorded and closed out on an annual rolling basis.

In accordance with the requirements of the 2016 Code of Good Governance for Scottish Colleges, Board evaluation arrangements are supplemented every three years by a comprehensive externally facilitated evaluation of Board effectiveness with a resulting development plan. An external evaluation was undertaken in 2017 and work is currently underway to repeat this exercise, with the final report due to be considered at the Board meeting in December 2020. This is in advance of the April 2021 deadline for this activity.

Accountability Report (continued)

During 2019/20 the Board of Management has completed work on the creation of a new 2025 vision and strategy designed to provide clear direction and leadership for the period 2020 – 2025

As referenced on page 16 the Board has five Standing Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Management.

A lay member of the Board chairs all the Committees, with each also appointing a Vice Chair to support in the effective operation of Committee business. The Board and Committees normally meet four times per annum, although the spring 2020 meetings were disrupted as a result of the cyber-attack and the COVID-19 lockdown. All meetings have now been successfully transferred on-line and a Microsoft team site created for the Board and Committees.

Since March 2020 all Board and Committee meetings have included updates on College responses to the COVID-19 pandemic as a standing item. A list of Committee Members for 2019/20 is included on pages 23 and 24.

The **Chairs' Committee** met five times in 2019/20 to inform the future work and development of the Board, to undertake its role as Remuneration Committee, and to monitor and support arrangements as a result of the cyber-attack and COVID-19 pandemic. As a part of its remit, this Committee also operates as 'Nominations Committee' undertaking all steps necessary to identify high quality candidates to fill board vacancies in line with the Ministerial Code for Appointments. The Chairs' Committee has delegated authority from the Board to consider and determine salaries and conditions of service for members of the College Executive and Senior Leadership Team and has an agreed remuneration strategy in place for the consideration of senior post holder salaries. When operating as Remuneration Committee the Committee is chaired by the Vice Chair or other Committee chair. During 2019/20 the Chairs Committee also operated as Appointments Panel to consider and progress recruitment and selection arrangements for the appointment to the role of Principal (with the selected candidate then subject to full Board approval).

The **Audit & Risk Committee** meets with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and

implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. During 2019/20 the Committee has considered and monitored key actions arising from the incident report in respect of the cyber-attack and has oversight of the COVID-19 Risk Register and actions (including College responses to the Audit Scotland COVID-19 Guide for Audit & Risk Committees).

The **Finance & Property Committee** oversees the preparation of a multi-year financial strategy for approval by the Board and informs and approves actions required to ensure financial sustainability. In consultation with other Committees, it recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews the effectiveness of financial management and

Accountability Report (continued)

monitors financial controls, ensuring appropriateness of and compliance with the Financial Regulations. Significant work was progressed during 2019/20 on the redevelopment of the Kingsway campus.

The **Human Resources and Development Committee** has overall responsibility for the direction and oversight of all Human Resources matters relating to the function of the Board of Management as employer of the College's staff. It oversees the development and implementation of the Human Resources Strategy, ensures compliance with employment legislation, considers a suite of staff-related metrics, and oversees Health & Safety matters on behalf of the Board. This includes input to major changes in the academic management structure completed during 2018/19 and on-going oversight and input into developments arising through national bargaining.

The **Learning, Teaching & Quality Committee** has overall responsibility for monitoring the direction and performance of learning and teaching, and the quality of the learners' experience at the College. It oversees significant developments in the College curriculum and plays a key role in promoting the student voice, ensuring that the Board's legal responsibilities with regard to the Students Association are met.

In line with good governance practice, details of discussions held, alongside feedback from the relevant Committee Chair on the activities of each Committee are shared with all Board members and are discussed as a standing item at each full meeting of the Board of Management. Board and Committee agendas, minutes and papers are [published on the College website](#).

All current Board members have received clear induction into their roles from the Chair and Board Secretary and have attended comprehensive Board member induction development session provided by the College. In addition, all Board members have attended Board member induction and/or specialist training provided on a sector basis by College Development Network.

All Board members engage in an annual appraisal process conducted by the Chair of the Board. The Chair receives two appraisals, one conducted by the Vice Chair and one conducted by a senior official from the Scottish Government. Board member feedback questionnaires provide clear information to inform individual and collective evaluation and action planning.

As a result of the cyber-attack and COVID-19 pandemic, the normal strategic development sessions held each year were postponed. These will, however, be reinstated during 2020/21.

To support the effectiveness of Board operations, the Board is one of a select number of colleges participating in a four nations study. "Processes and practices of governing in further education colleges in the UK: How do governing boards realise the strategic aims of the organisation?" is a University of Stirling Economic & Social Research Council funded research project. The main focus of the study was to observe and video meetings of the College Board of Management held between January and December 2019. This work was completed, with additional follow up work identified to investigate the approach of Boards in determining strategy, and how Boards are operating on a remote/on-line basis.

Accountability Report (continued)

DUNDEE & ANGUS COLLEGE - BOM & Committee Attendance Record – 1 August 2019 – 31 July 2020

Member's Name	Board of Management	Audit & Risk Committee	Finance & Property Committee	HR & Development Committee	Learning, Teaching & Quality Committee
Angela McCusker	3/3		3/3		3/3
Margo Williamson	3/3	3/3			3/3
Gary Bissett	1/3		2/3	2/3	
Steven Mill	3/3		3/3		1/3
Pamela Milne	2/3	1/3		1/3	
George Robertson	3/3	3/3			3/3
Grant Ritchie	3/3		3/3	3/3	3/3
Steven Watt					0/1
Michael Thomson		3/3			
Donna Fordyce	2/3		3/3	1/3	
Trisha Pirie	1/3	1/3		1/3	
Kirsty Keay	3/3	2/3		3/3	
Helen Honeyman	3/3	3/3			3/3
Donald Mackenzie	2/3		3/3	2/3	
Neil Lowden	1/3		0/3		1/3
Barry Carmichael	2/3		3/3	2/3	3/3
Sam Stirling	3/3		1/2	2/2	2/2
Cher Meldrum	3/3				2/3
Amy Monks	3/3				3/3

Accountability Report (continued)

Corporate Strategy

The Board of Management has responsibility for the on-going strategic direction of the College, for the approval of major developments and for the receipt of regular reports from members of the College Executive on the day-to-day operations of its business.

In respect of its strategic and development responsibilities, each year the Board of Management normally holds strategic development events jointly with the College Executive Leadership and Senior Leadership teams. These events also draw regularly on senior input from Scottish Government, educational and economic development agencies and other expertise. The timing of events is arranged to facilitate Board Members' input to the College's Regional Outcome Agreement.

During 2019/20 the Board oversaw the completion and final reporting of the College's 'Good to Great' strategy and transformation plan, whilst also completing work on the [2025 More Successful Students strategy](#).

Board's Statement on Internal Control

The Board of Management takes its responsibilities for internal control and for reviewing its effectiveness very seriously. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Management provides strong leadership within a framework of effective controls that enable risk to be assessed and managed. Through the operation of the Board and each Board Committee, Board members monitor, challenge and oversee risk management within the College as a whole. Within all of these arrangements it is the responsibility of the Board of Management to:

- Establish the overall culture and ethos in respect of risk and opportunity management within the College.
- Determine the appropriate risk appetite (the level of exposure with which the Board is comfortable) for the College that balances risk with opportunity.
- Approve major decisions affecting the College risk profile or exposure in accordance with appropriate financial strategy and procedures and agreed delegation limits.
- Ensure that risk management is integrated in strategic planning activities and outcome agreements.
- Monitor the management of key risks (those rated in excess of the risk appetite) to reduce their probability and impact.
- Satisfy itself that the less significant risks are managed, and that risk controls are in place and working effectively.

Accountability Report (continued)

- Annually review the College approach to risk management and approve changes or improvements as necessary.

The Board of Management has delegated day-to-day responsibility to the Principal (Chief Executive) for maintaining a sound system of internal control that reflects the needs of good risk management and supports the achievement of the Colleges policies, aims and objectives.

The Board operates a clear scheme of delegation and financial procedures that strengthen and inform internal control arrangements. These are reviewed annually, and work has been undertaken during 2019/20 to embed Board visibility and oversight of major contracts in areas such as IT maintenance and utilities.

The Board of Management actively monitors key areas of risk, seeking updates through the Executive Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting on exceptions or issues.

The Executive Leadership team and the Audit & Risk Committee also receive regular reports from the College's Internal and External Auditors. During 2019/20 the Internal Auditors undertook the following reviews:

Audit Area	Report Grades	Number of Actions Outstanding (& Priority Grades)		
		1	2	3
Staff Recruitment and Retention	Satisfactory		1	4
HR / Payroll	Good			1
Procurement and Creditors/ Purchasing	Good			2
IT Network Arrangement / IT Strategy	Satisfactory			3
Student Activity Data	Audit opinion unqualified			-
Student Support Funds	Audit opinion unqualified			-
Follow-up			1	12
<ul style="list-style-type: none"> • The Internal Auditors concluded that the College had made some progress in implementing the recommendations. • Six of the 13 recommendations were classified as 'fully implemented'. • Three recommendations were assessed as 'partially implemented' and will be subject to formal follow-up as part of the equivalent review in 2020/21. • Four recommendations were assessed as 'considered but not implemented'. These were approved as being reasonable by the Audit & Risk Committee. 				

*Report Grades

Accountability Report (continued)

- Good - System meets control objectives.
- Satisfactory - System meets control objectives with some weaknesses present.
- Requires improvement - System has weaknesses that could prevent it achieving control objectives.
- Unacceptable - System cannot meet control objectives.

** Action Grades

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit & Risk Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

The Internal Audit opinion for the work undertaken in 2019/20 is that the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money.

The College operates a Strategic Risk Register, which identifies the most significant risks to the College. This register is discussed and approved at every meeting of the Audit & Risk Committee, and is discussed bi-annually at the Board of Management. To support management of current additional risks, a COVID-19 Specific Risk Register is also in operation.

To embed awareness and consideration of risk, each Board Committee has a set of strategic risks delegated to it by the Board. It is the responsibility of each Committee to assure itself that appropriate consideration, oversight and assurance is provided in respect of the risks delegated to it.

The following table sets out the strategic risks for which the underlying risk has been scored as “major”. It records the residual risk, with no risks shown as “major” and five as “significant”, following the mitigating actions that have been taken.

Risk	Before mitigation	After mitigation
Failure of College strategy to meet the needs of the D&A Region and/or national priorities	Major	Minor
College disadvantaged by changes arising from UK leaving European Union	Major	Significant
Failure to achieve institutional sustainability	Major	Significant
National outcomes on salaries and conditions of service outstrip ability to pay	Major	Significant
Legal actions; serious accident; incident or civil/criminal breach	Major	Minor
National bargaining outcomes impact adversely on College operations, activity and flexibility	Major	Significant
Industrial Relations Problems	Major	Significant

Accountability Report (continued)

Risk	Before mitigation	After mitigation
Breach of data security / data protection*	Major	Minor
Disasters – e.g. Fire, MIS Failure, Failure of Emergency Procedures	Major	Minor

*There have been no significant lapses of data security and no personal data-related incidents reported to the Information Commissioner’s Office during the reporting period.

In addition to this, the following COVID-19 specific risks are also highlighted. This notes the residual risk, with no risks shown as “major” and two as “significant”, following the mitigating actions that have been taken.

Risk	Before mitigation	After mitigation
Failure of College strategy to meet the needs of the D&A Region and/or national priorities	Major	Significant
Failure to achieve institutional sustainability	Major	Significant
Industrial Relations Problems	Major	Minor
Breach of data security / data protection*	Major	Minor
Disasters – e.g. Fire, MIS Failure, Failure of Emergency Procedures	Major	Minor

The College was subject to a large-scale cyber-attack in January 2020, which impacted significantly on most of the major College housed ICT systems and resulted in the loss of a wide range of staff and student files. Full ICT access to College housed systems was restored within a short period of time, with a number of these moved to cloud hosted/on-line services in line with our longer-term ICT strategy.

A full independent review into the attack, how it occurred, and lessons learned was undertaken by the JISC CSIRT (Computer Security Incident Response Team) in the weeks after the incident and a report prepared for the Board of Management. The weaknesses that were identified and the risk mitigations associated were as follows:-

- A device was not fully patched due to the requirements of software in a particular department. Such scenarios are now required to be formally approved by the Senior Leadership Team
- It is believed a member of staff’s account was compromised via a phishing attack. The controls we now have in place to prevent this are implementation of Microsoft’s Advanced Threat Protection, multi-factor authentication and enhanced cyber security training for all staff.
- The ransomware software moved between servers using the Remote Desktop Protocol. Subsequently we have blocked the Remote Desktop Protocol on all our servers.
- Servers were attacked by disabling Anti-Virus software. As a result, improved anti-virus software has been implemented to actively guard against encryption of data and rolling back the files where it identifies this activity

Accountability Report (continued)

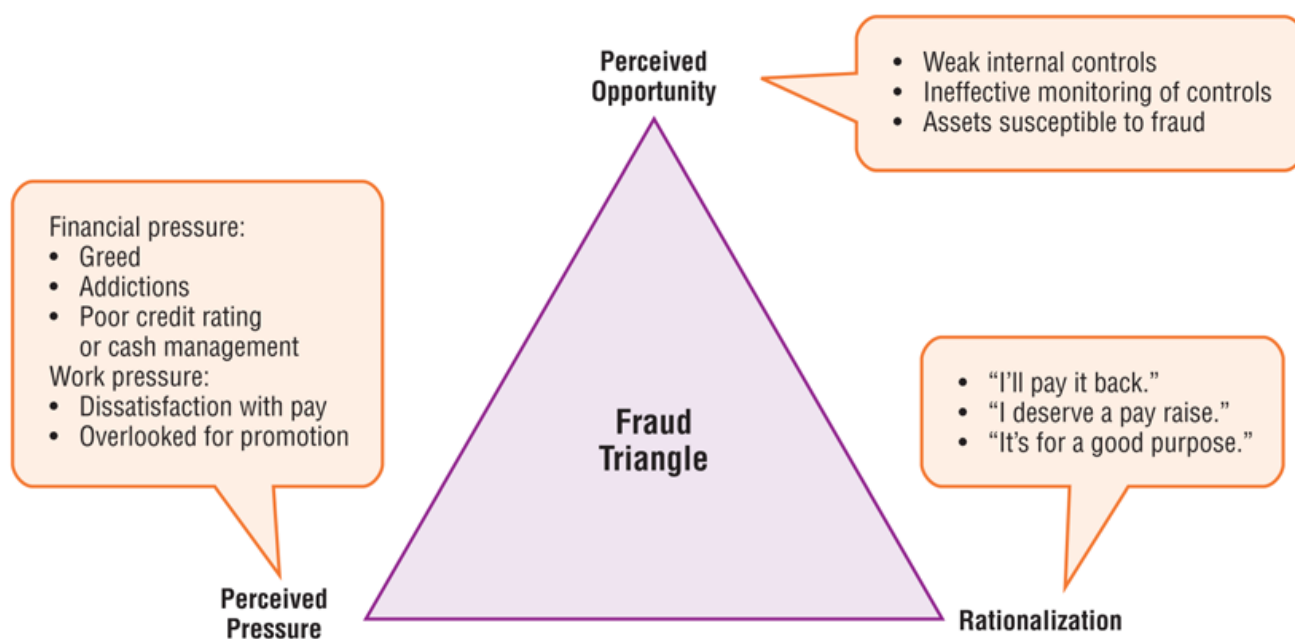
- Backups were compromised as they were stored on network attached storage. Since the attack our backups have now been replicated to an immutable Cloud Backup solution

In addition to the findings of the independent review there are a number of strategic decisions the College has made in the past 12 months which will help to mitigate the risk of future cyber attacks when they happen. Two examples of this are the College's 'Cloud First' strategy, this won't remove risk of cyber attacks but will reduce the impact of an attack. The College has also recently recruited a full time Cyber Security Engineer whose sole purpose to ensure the digital service is as secure possible. Whilst this was a major cyber-attack and a significant range of files were lost, it has not had a major impact on the operation or outcomes of the College. Learning, teaching and service delivery was restored quickly after the incident and work was progressed alongside awarding bodies and others to ensure that students were not disadvantaged through the loss of assessment materials or records.

In the autumn of 2018 the College participated in the National Fraud Initiative (NFI) which is a data-matching exercise led by Audit Scotland to aid the detection of fraudulent payments. NFI allows public bodies to investigate matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

The next Audit Scotland-led biannual data-matching exercise will take place in 2020/21 and the College has provided all data within the requisite timelines. The 2020/21 Internal Audit Plan includes a review of the College's response to the National Fraud Initiative.

As a result of the College's engagement in the NFI, the College's Fraud, Bribery and Corruption Policy has been reviewed, with a particular focus on using the Fraud Triangle to engage staff with regards to the environment in which frauds are more likely to be prevalent.



Accountability Report (continued)

Despite the cyber-attack of January 2020, the requirements of the Scottish Government's cyber resilience Public Sector Action Plan have been met, including achievement of Cyber Essentials Plus certification.

As a key step in assuring the appropriate oversight of College systems and risks, the Audit & Risk Committee produces a draft annual report that is discussed and approved by the Audit & Risk Committee prior to further discussion and approval by full Board. This report summarises work reviewed by the Committee and confirms internal and external audit assurances in respect of the adequacy and effectiveness of internal control, the effectiveness of financial controls and the delivery of internal audit plans in line with relevant internal audit standards. In line with all Board papers, this report is publicly available on the College website.

Internal and external audit representatives meet annually with members of the Audit Committee without senior members of College staff present. This allows an opportunity for any concerns or issues to be raised and for Audit Committee members to seek appropriate assurances.

Significant Control Issues/Weaknesses

In completing this governance statement there have been no exceptions or issues raised for inclusion by internal or external auditors in respect of significant control issues/weaknesses.

Going Concern

The Board of Management considers that the College has adequate resources and arrangements to ensure the continuation of its functions within the public sector for the foreseeable future.

Conclusion

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the institution's significant risks that have been in place for the period ended 31 July 2020 up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Board of Management and accords with the internal control guidance as applicable to the further education sector.

REMUNERATION AND STAFF REPORT

The sections marked * in this Remuneration Report have been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

Remuneration Policy

Annually the remuneration of the Principal and Executive Team is the subject of a discussion at the Chairs' Committee – which serves as a Remuneration Committee. A pay award from 1 April 2019 to 31 March 2020 was approved by the Board Chairs Committee based on 2% capped at £1,500. No pay award has yet been agreed from 1 April 2020.

*Remuneration including salary and pension entitlements

The following tables provide detail of the remuneration and pension interests of senior management:

Name	year ended 31 July 2020			year ended 31 July 2019		
	Salary Band £'000	Pension Benefit £'000	Band Total £'000	Salary Band £'000	Pension Benefit £'000	Band Total £'000
Ms A McCusker	10-15	0	10-15	15-20	-	15-20
Mr G J Ritchie	135-140	55-60	190-195	130-135	(5)-(10)	120-125
Mr S Taylor	85-90	55-60	140-145	85-90	(5)-0	80-85
Mr S Hewitt	85-90	25-30	115-120	85-90	10-15	95-100
Ms C Blake*	0-5	-	-	60-65	20-25	80-85
Ms J Carnegie*	85-90	20-25	105-110	20-25(FYE80-85)	0-5	20-25
Mrs J Grace	65-70	40-45	105-110	60-65	5-10	70-75
Mr K Murphy	65-70	35-40	100-105	60-65	0-5	65-70

* C Blake left on 30/4/2019 and received back dated pay award in 2019-20. J Carnegie started on 07/05/2019.

Post titles are provided on page 22.

Median Remuneration

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce and the range of staff remuneration. The banded remuneration of the highest paid official in the organisation in the financial year 2019-20 was £135,000-£140,000 (2018-19 £130,000-£135,000). This was 3.6 times (2018-19: 3.3 times) the median remuneration of the workforce which in the financial year 2019-20 was £37,514 (2018-19 £39,520). The lowest paid employee salary was £16,926 (2018-19 £16,380).

Accrued Pension Benefits

Pension benefits for teaching staff are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme. The Pension Benefit in the above tables does not represent the cash value of pension contributions made in the year. It is calculated as the real increase in pension

Accountability Report (continued)

multiplied by 20, plus the real increase in any lump sum, less contributions made by the member, as required by The Financial Reporting Manual 2019-20 issued by HM Treasury.

STSS is provided by the Scottish Public Pensions Agency. It remains a final salary pension scheme for protected members only and, since 1 April 2015, is now a Career Average Revalued Earnings (CARE) scheme for the majority of members.

Non-teaching staff are enrolled into the Local Government Pension Scheme (LGPS). Benefits for all members of this scheme are now provided under CARE arrangements since transition on 1 April 2016. Contribution rates for both schemes are set annually for all employees and can be found in Note 16.

There is no longer any automatic entitlement to a lump sum. STSS members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. LGPS members can access pension under new pension release rules introduced in April 2015.

*Senior Officials Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the College. All are members of the STSS scheme.

Name	Accrued pension at pension age at 31 July 2020	Accrued lump sum at pension age at 31 July 2020	Real increase in pension 1 August 2019 to 31 July 2020	Real increase in lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2020	CETV at 31 July 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mr G J Ritchie	55-60	175-180	2.5-5.0	7.5-10	1,359	1,436	61
Mr S Taylor	45-50	0-5	2.5-5.0	0-2.5	650	713	52
Mr S Hewitt	15-20	0-5	0-2.5	0-2.5	151	172	11
Ms J Carnegie	0-5	0-5	0-2.5	0-2.5	5	25	10
Mrs J Grace	30-35	0-5	2.5-5.0	0-2.5	375	414	31
Mr K Murphy	20-25	50-55	0-2.5	2.5-5.0	364	403	31

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum;

Accountability Report (continued)

and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures, the following contextual information should be taken into account:

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

During the year to 31 July 2020 the College employed 711 full-time equivalent staff. At 31 July 2020 the staff headcount was 1049 comprising of 668 females and 381 males.

Full disclosure of staff costs of £33,160,000 is given in Note 9 to the Accounts.

Disclosure of Agency staff costs, of £210,000 is given in Note 11. Other than one individual engaged under a shared service agreement, with Advanced Procurement for Universities and Colleges, all amounts are paid for temporary staff on an ad hoc basis to cover staff absence or to obtain specialisms not available from permanent staff.

Working days lost through sickness was 2.48%, which is reduced from 3.06% in 2018-19.

Like all organisations, 2019/20 has been a significant challenge as a result of the COVID-19 pandemic. For Dundee and Angus College this challenge has been amplified by the impact of the major cyber-attack in January 2020.

These significant business continuity issues followed quickly on the introduction of a new academic management structure in August 2019, which saw a new set of 19 academic managers (Heads of Curriculum and Quality) introduced alongside significant changes at Curriculum and Quality Leader level.

Accountability Report (continued)

Building on our People Strategy and the creation of 'The D&A Way' leadership principles, all of the above challenges have been faced in a positive and purposeful way, and managers, staff, unions and our students' association have worked together to overcome the challenges faced in the best way that we can.

This has included the development of a series of workstreams to take forward the key tasks required post cyber-attack and as a result of the COVID-19 pandemic. These workstreams have engaged staff, union and students' association membership in these critical activities and work tasks. All of this work has been completed to a very high standard to support the continuation of College services whilst maintaining all health and safety requirements and mitigations.

All COVID-19 developments have been supported by the following overarching principles.

1. The Health, Safety and Wellbeing of staff, students and visitors is of paramount importance at all times.
2. Ongoing reference will be made to the most up to date Scottish Government endorsed scientific advice and guidance. Guidance from the [Scottish Government four phase approach](#) will inform specific timescales and this national guidance will underpin, and be used to inform, clear decisions making.
3. Personal Protective Equipment (PPE) required for college educational settings through Scottish Government or Health and Safety Executive guidance (and for specific vocational activities where appropriate) will be available.
4. Plans and arrangements will take due account of required approaches for social distancing, shielding and engagement with the [Scottish Government Test and Protect Strategy](#).

Progress in this work has been evaluated in two short 'pulse' surveys with staff, showing strong engagement and positive feedback (ranging from 84% to 96% agreement) across a range of key elements for staff arising through lockdown (see summary on page 6). These positive results have reflected the extensive work undertaken to support staff through the rapid transition into working from home and transitioning to blended learning. This has been underpinned by the promotion of the D&A Way to all managers and a focus on communications and regular work and social catch ups with staff.

A wide range of 'normal' tasks and projects continue to be progressed. This includes on-going work to support and promote equality, including significant awareness raising around gender based violence and extensive work to eradicate period poverty. Monitoring, reporting and action planning in respect of equality related metrics is outlined within our biennial [Equalities Mainstreaming Report](#) and related reporting.

The College continues to work hard to ensure that all staff, students and other stakeholders are treated equally, regardless of age, disability, family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, or unrelated criminal convictions. In addition to tackling discrimination, the College also supports and fosters good relations between individuals with different characteristics and undertakes a significant amount of work in this area through its RESPECT brand and specific work in areas including (but not exclusively):

Accountability Report (continued)

- work locally and nationally on eradicating gender based violence (Gbv);
- supporting carers and care experienced students and staff under our WeCare@D&A banner;
- work on eradicating child poverty through our Find Your Future project and campaigns; and
- focused support and awareness raising on period poverty.

Work is continuing in relation to the national Job Evaluation and Transfer to Permanency requirements. Significant progress has also been made in the implementation of an integrated HR-Payroll solution, including the recent launch of employee self-service functionality.

*Compensation for loss of office

The table below summarises the exit packages by cost band.

	2020	2020	2020	2019
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	-	-	1
£10,000 - £25,000	-	1	1	3
£25,000 - £50,000	-	3	3	5
£50,000 - £100,000	-	1	1	-
Total number of exit packages	-	5	5	9
Total cost (£)	-	169,950	169,950	213,574

*Salaries and Related costs

	2020	2020	2020	2019
	Directly employed staff on permanent UK contracts £'000s	Other staff including short-term contract, seconded and agency staff £'000s	Total	Total
Wages and salaries	21,419	2,953	24,372	22,838
Social security costs	1,978	248	2,226	2,056
Other pension costs	6,034	506	6,540	5,406
Total	29,431	3,707	33,138	30,300
Average number of FTE	612	104	716	680

Accountability Report (continued)

The total number of higher paid staff, including senior post-holders, above a threshold of total emoluments of £60,000, are tabled in Note 9. The total remuneration of the Principal is given in Note 10 along with the total emoluments of all senior post holders.

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements: Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2020.

Relevant Union Officials

Number of Employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
10	9

Percentage of time spent on facility time

Percentage:	Number of Employees:
0%	0
1%-50%	10
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	£53,595
Total bill pay:	£30,897,000
Percentage of the total pay bill spent on facility time:	0.17%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	32%
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Signed on Behalf of the Board of Management on 15 December 2020.



Simon Hewitt
Principal

Independent Auditor's Report

Independent auditor's report to the members of the Board of Management of Dundee and Angus College, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of Dundee and Angus College and its group for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Statement of Financial Position, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2020 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 17 June 2019. The period of total uninterrupted appointment is two years. I am independent of the college and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

Independent Auditor's Report (continued)

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and financial statements

The Board of Management is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and

Independent Auditor's Report (continued)

I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

Independent Auditor's Report (continued)

- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and financial statements, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

December 2020

Richard Smith is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Professional Advisers

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G2 1BT

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DD3 8NS

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Glasgow
G2 5HN

Solicitors

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Whitehall House,
33 Yeaman Shore
Dundee
DD1 4BJ

Consolidated & College Statement of Comprehensive Income
For the year ended 31 July 2020

		Consolidated		College	
	Note	2020 £000	2019 £000	2020 £000	2019 £000
Income					
Funding body grants	3	36,204	34,749	36,204	34,749
Tuition fees and education contracts	4	5,376	5,558	5,376	5,558
Other grants and contracts	5	1,247	1,539	1,247	1,509
Other income	6	2,236	1,922	2,108	1,698
Investment income	7	7	8	7	8
Donations and endowments	8	248	454	248	454
Total income		45,318	44,230	45,190	43,976
Expenditure					
Staff costs	9	32,990	30,136	32,918	30,005
Exceptional restructuring costs	9	170	219	170	219
Other operating expenses	11a	9,788	10,115	9,731	9,996
Depreciation	12	5,727	5,715	5,727	5,715
Interest and other finance costs	11b	420	389	420	389
Total expenditure		49,095	46,574	48,966	46,325
(Deficit)/Surplus before other gains/ (losses) and share of operating surplus/ (deficit) of associates		(3,777)	(2,344)	(3,776)	(2,348)
Surplus/(Deficit) for the year		(3,777)	(2,344)	(3,776)	(2,348)
Actuarial (loss)/gain in respect of pension scheme		(11,196)	(3,180)	(11,196)	(3,180)
Unrealised surplus on revaluation of tangible fixed assets		894	-	894	-
Total comprehensive income for the year		(14,079)	(5,524)	(14,078)	(5,528)

Consolidated & College Statement of Comprehensive Income (continued)

For the year ended 31 July 2020

	Consolidated		College	
Note	2020 £000	2019 £000	2020 £000	2019 £000
Represented by:				
Unrestricted comprehensive income for the year	(14,079)	(5,524)	(14,078)	(5,528)
	<u>(14,079)</u>	<u>(5,524)</u>	<u>(14,078)</u>	<u>(5,528)</u>
(Deficit)/Surplus for the year attributable to:				
College	(3,777)	(2,344)	(3,776)	(2,348)
	<u>(3,777)</u>	<u>(2,344)</u>	<u>(3,776)</u>	<u>(2,348)</u>
Total comprehensive (expenditure)/income for the year attributable to:				
Group/College	(14,079)	(5,524)	(14,078)	(5,528)
	<u>(14,079)</u>	<u>(5,524)</u>	<u>(14,078)</u>	<u>(5,528)</u>

The Statement of Comprehensive Income is in respect of continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 2 provides details of the adjusted operating position on a Central Government accounting basis.

The accompanying notes form part of these financial statements.

Consolidated & College Statement of Changes in Reserves
For the year ended 31 July 2020

	Income Expenditure Reserve	Revaluation Reserve	Total
	£000	£000	£000
Consolidated			
Balance at 1 August 2018	3,282	30,163	33,445
Surplus/(Deficit) from the Consolidated Statement of Comprehensive Income	(2,344)	-	(2,344)
Actuarial Gain/(Loss)	(3,180)	-	(3,180)
Revaluation surplus	-	-	-
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
Total comprehensive income for the year	(3,271)	(2,253)	(5,524)
Balance at 1 August 2019	11	27,910	27,921
Surplus/(Deficit) from the Consolidated Statement of Comprehensive Income	(3,777)	-	(3,777)
Actuarial Gain/(Loss)	(11,196)	-	(11,196)
Revaluation surplus	-	894	894
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
Total comprehensive income for the year	(12,720)	(1,359)	(14,079)
Balance at 31 July 2020	(12,709)	26,551	13,842
College			
Balance at 1 August 2018	3,242	30,163	33,404
Surplus/(Deficit) from the College Statement of Comprehensive Income	(2,348)	-	(2,348)
Actuarial Gain/(Loss)	(3,180)	-	(3,180)
Revaluation	-	-	-
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
Total comprehensive income for the year	(3,275)	(2,253)	(5,528)
Balance at 1 August 2019	(34)	27,910	27,876
Surplus/(Deficit) from the College Statement of Comprehensive Income	(3,776)	-	(3,776)

Actuarial Gain/(Loss)	(11,196)	-	(11,196)
Revaluation surplus	-	894	894
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
Total comprehensive income for the year	<u>(12,719)</u>	<u>(1,359)</u>	<u>(14,078)</u>
Balance at 31 July 2020	<u>(12,753)</u>	<u>26,551</u>	<u>13,798</u>

There are no endowment or restricted reserves.

Consolidated & College Statement of Financial Position

As at 31 July 2020

		Consolidated		College	
	Note	2020 £000	2019 £000	2020 £000	2019 £000
Non-current assets					
Fixed assets	12	69,786	74,450	69,786	74,450
Trade & other receivables	13	554	681	554	681
		<u>70,340</u>	<u>75,131</u>	<u>70,340</u>	<u>75,131</u>
Current assets					
Stocks		17	19	14	16
Trade & other receivables	13	3,253	2,425	3,247	2,395
Cash and cash equivalents		3,757	2,150	3,712	2,119
		<u>7,027</u>	<u>4,594</u>	<u>6,973</u>	<u>4,530</u>
Creditors: amounts falling due within one year	14	8,341	7,044	8,331	7,025
Net current liabilities		(1,314)	(2,450)	(1,358)	(2,495)
Total assets less current liabilities		69,026	72,681	68,982	72,636
Less: Creditors falling due after more than one year	15	28,480	31,119	28,480	31,119
Net assets excluding pension liability		40,546	41,562	40,502	41,517
Funded pension liability	16	22,509	9,370	22,509	9,370
Unfunded pension liability	17	4,195	4,271	4,195	4,271
Total net assets		13,842	27,921	13,798	27,876
Unrestricted reserves					
Income and expenditure reserve – unrestricted		(12,709)	11	(12,753)	(34)
Revaluation reserve		26,551	27,910	26,551	27,910
Total reserves		13,842	27,921	13,798	27,876

The financial statements were approved and authorised for issue by the Board of Management on 15 December 2020 and signed on its behalf by:



Angela McCusker – Chair



Simon Hewitt – Principal

Consolidated Statement of Cash Flows

For the year ended 31 July 2020

	Note	2020 £000	2019 £000
Cash flow from operating activities			
(Deficit) for the year		(3,777)	(2,344)
Adjustment for non-cash items			
Depreciation	12	5,727	5,715
Impairment reversal		-	-
(Increase)/Decrease in stocks		2	(4)
(Increase)/Decrease in debtors		(701)	(671)
Increase/(Decrease) in creditors		1,699	798
Pension costs less contributions payable		1,867	1,754
Adjustment for investing or financing activities			
Investment income	7	(7)	(8)
Interest payable	11b	146	182
Gain on the sale of fixed assets		-	-
Release of deferred capital grants		(2,717)	(2,703)
Net cash inflow from operating activities		2,239	2,719
Cash flow from investing activities			
Proceeds from sale of fixed assets		-	-
Proceeds from sale of assets held for disposal		-	-
Investment income		7	8
Deferred capital grants received		92	-
Non-government capital grants		-	-
Payments made to acquire fixed assets		(103)	-
Net cash outflow from investing activities		(4)	8
Cash flow from financing activities			
Interest paid		(146)	(182)
Repayments of amounts borrowed		(482)	(1,567)
Net cash outflow from financing activities		(628)	(1,749)
(Decrease)/Increase in cash and cash equivalents in the period		1,607	978
Cash and cash equivalents at beginning of the period		2,150	1,172
Cash and cash equivalents at end of the period		3,757	2,150

Notes to the Financial Statements

Note 1 Statement of Principal Accounting Policies

Charity Information The College was established under the Further and Higher Education Act 1992. The College is a registered charity (Scottish charity Number: SC021188) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005. The registered office is Old Glamis Road, Dundee, DD3 8LE.

Basis of Preparation The financial statements are prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice (SORP) 2019: Accounting in Further and Higher Education, and the Financial Reporting Manual 2019-20 issued by HM Treasury and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The college is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Basis of Accounting The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy the accounting policy which is judged to be most appropriate to the College for the purpose of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out.

The financial statements are presented in Sterling (£).

Significant judgements and estimates In the application of the Group's accounting policies, the Board of Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements (continued)

Key sources of estimation have been applied as follows:

Non-Current Assets valuations and useful economic lives - College buildings are of a specialist nature and are valued on the depreciated replacement cost basis. Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer.

Obligations under the LGPS - The Board has relied on the actuarial assumptions of independent, qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Continuing Activities The results reported in the financial statements are derived from the continuing activities of Dundee & Angus College.

Basis of Consolidation The consolidated financial statements for the Group bring together the financial statements of the College and its wholly owned subsidiary 'Gardyne Theatre Limited'.

Investment in Subsidiaries The consolidated financial statements incorporate the financial statements of the college and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Recognition of Income Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

All income from short-term deposits and investments is credited to the Consolidated Statement of Comprehensive Income on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account

Grant Funding Government revenue grants including the recurrent grants from the Scottish

Notes to the Financial Statements (continued)

Funding Council (SFC) are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the statement of financial position and released to income as the conditions are met.

Donations and Endowments Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Notes to the Financial Statements (continued)

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital Grants Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. The funds will be held in deferred income under creditors until conditions are met.

European Funded Projects Advances received in respect of European Funded projects, along with any relevant provisions against non-payment of claims or claw back of claims paid, are offset against the total European funding debtor in the Statement of Financial Position.

Foreign Currency Translation Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Maintenance of Premises Property maintenance is carried out as a result of surveys, ongoing inspections and in accordance with the College Estates Strategy. The cost of the maintenance is charged to the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

Pension Schemes The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. The College is unable to identify its share of the underlying assets and liabilities of the STSS and therefore, as required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. Contributions are charged to the income and expenditure account as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Non-teaching staff may join the Tayside Superannuation Scheme which is administered by Dundee City Council and which requires contributions to be made to its number 1 fund. The

Notes to the Financial Statements (continued)

Fund is a defined benefit pension scheme, contracted out of the State Earnings-Related Pension Fund. Benefits are provided based on length of service, together with final pensionable pay to 31 March 2015 and Career Average Revalued Earnings thereafter. Assets and Liabilities of the Fund are held separately from those of the College. Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Fund are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular costs are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the Consolidated Statement of Comprehensive Income on a systematic basis over the expected average remaining lives of members of the Fund in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Employment Benefits Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the college. Any unused benefits are accrued and measured as the additional amount the college expects to pay as a result of the unused entitlement.

Property, Plant & Equipment

(a) Land and Buildings
Land and buildings inherited from the local education authority, inherited but not in use for education purposes and other acquired land and buildings since incorporation are stated in the statement of financial position at valuation. Land is not depreciated.

Buildings are depreciated over their expected useful economic life within the following major components:

Buildings and main sub-structure	50 years
Internal structure/Mechanical & Electrical	25 years
Internal Fixtures & Property Improvements	10 years
Information & Communications Infrastructure	5 years

Property improvements are depreciated on a straight line basis over ten years.

Depreciation is revised to amortise building components over remaining economic life when this has been identified as part of the revaluation process described below.

Notes to the Financial Statements (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstance indicate that the carrying amount of the fixed asset may not be recoverable.

Where land and buildings are acquired with the aid of specific Government grants, the related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2020. They are not depreciated until they are brought into use.

(b) Property Revaluation

In accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government, the tangible fixed assets are required to be valued on the current value basis. Quinquennial valuations are undertaken with interim valuations in year three.

(c) Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or the reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

(d) Equipment

Equipment costing less than £25,000 (inclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows:

Heavy plant	10 years
Light plant and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Notes to the Financial Statements (continued)

Where equipment is acquired with the aid of specific Government grants, the related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Equipment acquired by Non-Government Grants is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Contracts providing a license to use software for a specific period are not capitalised where no ownership is acquired. The cost is charged to revenue and spread evenly over the term of the license with any prepayment included in Debtors.

Leased Assets Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Consolidated Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes to the Financial Statements (continued)

Debtors Debtors are measured at transaction price, less any impairment, unless the arrangement represents a financing transaction. If the arrangement constitutes a financing transaction, the college measures the financial asset at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Loan receivables are measured initially at the present value of cash receivable, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Financial assets identified as non-basic will be measured at fair value.

Creditors Short Term Creditors are measured at transaction price.

Other financial liabilities, including bank loans are measured initially at the present value of cash payable, and are measured subsequently at amortised cost using the effective interest method.

Financial liabilities identified as non-basic will be measured at fair value.

Agency Arrangements The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Consolidated Statement of Comprehensive Income, and movements have been disclosed in the notes to the financial statements. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure related to those funds are shown in the Consolidated Statement of Comprehensive Income.

Taxation The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt from VAT.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation, although where profits are transferred by gift aid corporation tax will not be liable.

Notes to the Financial Statements (continued)

Provisions are recognised when the College has a present, legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the college, are held as a permanently restricted fund which the college must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the college is restricted in the use of these funds.

	Consolidated		College	
2	2020	2019	2020	2019
Government Non-cash allocation for depreciation	£000	£000	£000	£000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(3,777)	(2,344)	(3,776)	(2,348)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	1,055	1,055	1,055	1,055
Operating surplus/(deficit) on Central Government accounting basis	(2,722)	(1,289)	(2,721)	(1,293)

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the performance report on pages 3 to 19.

Under the FE/HE SORP, the college recorded a consolidated operating deficit of £3,637,000 for the year ended 31 July 2020. After taking account of the Government non-cash budget, the college shows an “adjusted” consolidated deficit of £2,582,000 on a Central Government accounting basis.

Notes to the Financial Statements (continued)

		Consolidated		College	
		2020	2019	2020	2019
6	Other Income	£000	£000	£000	£000
	Residences, catering and conferences	864	1,185	835	1,133
	Other income-generating activities	600	698	501	526
	Coronavirus Job Retention Scheme grant	702	-	702	-
	Other income	70	39	70	39
		<u>2,236</u>	<u>1,922</u>	<u>2,108</u>	<u>1,698</u>

The College furloughed staff who were unable to work from home, from areas such as catering etc. The funding received of £702,000 relates to staff costs which are included in the costs reported within Note 9 below.

		Consolidated		College	
		2020	2019	2020	2019
7	Investment Income	£000	£000	£000	£000
	Interest receivable	7	8	7	8
		<u>7</u>	<u>8</u>	<u>7</u>	<u>8</u>

		Consolidated		College	
		2020	2019	2020	2019
8	Donations and Endowment	£000	£000	£000	£000
	Donations	248	454	248	454
		<u>248</u>	<u>454</u>	<u>248</u>	<u>454</u>

A donation of £248,000 was received from Dundee and Angus Foundation, following a successful bid by the College for support for a transformation project, 'Good to Great'.

Notes to the Financial Statements (continued)

9	Staff Costs	Consolidated		College	
		2020 £000	2019 £000	2020 £000	2019 £000
	Wages and salaries	24,224	22,674	24,162	22,558
	Social security costs	2,226	2,056	2,219	2,047
	Other pension costs	6,540	5,406	6,537	5,400
	Exceptional restructuring costs	170	219	170	219
		33,160	30,355	33,088	30,224
		Consolidated		College	
		2020 £000	2019 £000	2020 £000	2019 £000
	Staff Costs (continued)				
	Academic/Teaching departments	19,663	17,319	19,663	17,319
	Academic/Teaching services	627	593	627	593
	Administrative and central services	10,461	10,025	10,389	9,894
	Premises	1,575	1,535	1,575	1,535
	Catering and Residences	664	664	664	664
	Sub-total	32,990	30,136	32,918	30,005
	Exceptional restructuring costs	170	219	170	219
		33,160	30,355	33,088	30,224

The Exceptional restructuring costs relate to a Voluntary Severance Scheme.

Pension liabilities to present and former staff of £1,993,000 (2019: £1,945,000) and the Apprenticeship Levy of £98,000 (2019: £90,000) have been included within the category of Administrative and central services.

Notes to the Financial Statements (continued)

The average number of full-time equivalent employees (including higher paid employees) during the period was:

	Consolidated		College	
	2020 Number	2019 Number	2020 Number	2019 Number
Academic/teaching departments	410	377	410	377
Academic/teaching services	20	18	20	18
Administrative and central services	199	197	197	194
Premises	55	57	55	57
Catering and residences	27	27	27	27
Total	711	676	709	673

The introduction of National Pay Bargaining resulted in pay awards being determined for each fiscal year, rather than the financial year, however both academic and support settlements have rationalised from September 2020.

Support Staff received a consolidated pay award for 1 April 2019 to 31 March 2020 of Public Sector Pay Policy of 3% for salary points up to £36,500 and 2% for salary points above £36,500, capped at £1,600. The same agreement provided for a further pay award for the period 1 April 2020 to 31 August 2020 of 5/12ths of these Public Sector Pay Policy thresholds but with a minimum award of £300.

Lecturing staff received a consolidated award of £1500 applied to all lecturer salary scale points from 1 April 2019 for the period to 31 August 2020.

Members of the College Executive and Senior Leadership Team's pay award from 1 April 2019 to 31 March 2020, approved by the Board Chairs Committee was 2% capped at £1,500.

The number of staff, including the Principal, who received emoluments in the following ranges (above a threshold of £60,000) was:

	Senior Staff		Other Staff	
	2020	2019	2020	2019 Restated
£60,001 - £70,000	2	3	-	1
£70,001 - £80,000	-	-	1	-
£80,001 - £90,000	3	2	-	-
£130,001- £140,000	1	1	-	-
	6	6	1	1

Notes to the Financial Statement (continued)

10 Senior Post-Holders' Emoluments	Year to 31 July 2020 Number	Year to 31 July 2019 Number
The number of senior post-holders including the Principal was:	10	12
	£000	£000
Salaries	762	745
Pension contributions	159	125
Total emoluments	<u>921</u>	<u>870</u>

The above emoluments are for Key Management Personnel and include amounts payable to the Principal (who was the highest paid senior post-holders) of:

	Year to 31 July 2020 £000	Year to 31 July 2019 £000
Salary	136	132
Pension contributions	<u>30</u>	<u>23</u>
	<u>166</u>	<u>155</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme or Local Government Superannuation Scheme, and are paid at the same rate as for other employees.

Other than as stated above, no member of staff received any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Compensation for the loss of office paid to senior post holders:

	Year to 31 July 2020 £000	Year to 31 July 2019 £000
Compensation for the loss of office paid to senior post holders	-	-

Notes to the Financial Statement (continued)

11a	Other Operating Expenses	Consolidated		College	
		2020 £000	2019 £000	2020 £000	2019 £000
	Academic/teaching departments	895	1,115	895	1,115
	Academic/teaching services	119	102	119	102
	Administration and central services	3,154	3,743	3,154	3,743
	Premises costs	3,946	3,023	3,946	3,023
	Catering and residence operations	420	548	409	526
	Other Income Generating Activities	46	97	-	-
	SFC Childcare funds	998	1,266	998	1,266
	Agency staff costs	210	221	210	221
	Total	9,788	10,115	9,731	9,996

	Consolidated		College	
	2020 £000	2019 £000	2020 £000	2019 £000
Other operating expenses include:				
External Auditor's remuneration				
- in respect of these financial statements	26	26	24	24
Internal Auditor's remuneration				
- internal audit	11	11	11	11
- other services	8	8	8	8

Notes to the Financial Statement (continued)

		Consolidated		College	
11b	Interest and Other Finance Costs	2020 £000	2019 £000	2020 £000	2019 £000
	Loan	146	182	146	182
	Pension	274	207	274	207
		420	389	420	389
12	Property, Plant and Equipment	Consolidated		College	
		Land and Buildings £000	Assets under construction £000	Equipment £000	Total £000
	Valuation/Cost				
	At 31 July 2019	94,478	-	7,202	101,680
	Additions	-	77	92	169
	Revaluation Movement	4,532	-	-	4,532
	At 31 July 2020	99,010	77	7,294	106,381
	Depreciation				
	At 31 July 2019	21,055	-	6,175	27,230
	Charge for year	5,239	-	488	5,727
	Revaluation Movement	3,638	-	-	3,638
	At 31 July 2020	29,932	-	6,663	36,595
	Net Book Value				
	At 31 July 2019	73,423	-	1,027	74,450
	At 31 July 2020	69,078	77	631	69,786

Land and Buildings with a net book value of £40,407,000 have been financed by exchequer funds.

These assets can only be sold in accordance with the terms of the Procedure Notes for the Disposal of Exchequer-Funded Assets and the Retention of Proceeds by FE Colleges.

Land and Buildings were revalued at 31 July 2020 at depreciated replacement cost by Graham & Sibbald, a firm of independent chartered surveyors regulated by RICS.

Notes to the Financial Statements (continued)

An unoccupied property was valued at market value by J&E Shepherd, a firm of independent chartered surveyors regulated by RICS.

The carrying value of the revalued assets, had they not been revalued, would have been:

	2020	2019
	£000	£000
Cost	79,435	79,435
Aggregate depreciation based upon cost	<u>(37,092)</u>	<u>(34,106)</u>
Net book value	<u>42,343</u>	<u>45,329</u>

13 Debtors	Consolidated		College	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade Debtors	261	311	259	271
Prepayments / Accrued Income	2,992	2,114	2,988	2,124
	<u>3,253</u>	<u>2,425</u>	<u>3,247</u>	<u>2,395</u>
Amounts falling due after more than one year:				
Prepayments / Accrued Income	554	681	554	681
	<u>554</u>	<u>681</u>	<u>554</u>	<u>681</u>

Debtors include £2,112,000 (2019: £1,007,000) due from the Scottish Funding Council. College Debtors includes Nil (2019: £25,000) due from subsidiary.

Notes to the Financial Statements (continued)

14 Creditors: amounts falling due within 1 year	Consolidated		College	
	2020 £000	2019 £000	2020 £000	2019 £000
Deferred income and payments received in advance	1,273	864	1,271	862
Trade creditors	1,139	566	1,139	580
Other creditors	22	39	22	36
Other tax and Social Security	571	688	567	684
Accruals	2,241	1,374	2,237	1,350
Bursaries and Access Funds for future disbursement	378	328	378	328
Bank Term Loan	-	482	-	482
Deferred Capital Grant	2,717	2,703	2,717	2,703
	8,341	7,044	8,331	7,025

Creditors includes £593,000 (2019: £669,000) relating to Scottish Funding Council grants.

Creditors include funds held for Energy Skills Partnership, an independent strategic partnership established by the Scottish Funding Council, of £492,000 (2019: £378,000). At 31 July the College has no beneficial interest and acts as host for the partnership's activities disbursing these funds to third parties. This is matched by corresponding Cash and cash equivalent balance, resulting in a net Nil impact upon the College's financial statements.

15 Creditors: amounts falling due after 1 year	Consolidated		College	
	2020 £000	2019 £000	2020 £000	2019 £000
Deferred Capital Grant	24,848	27,487	24,848	27,487
Bank Term Loan	3,632	3,632	3,632	3,632
	28,480	31,119	28,480	31,119

Notes to the Financial Statements (continued)

Analysis of borrowings

Bank loans are repayable as follows:

Between one and two years	453	453	453	453
Between two and five years	1,359	1,359	1,359	1,359
In five years or more	1,820	1,820	1,820	1,820

Initially borrowed as a revolving credit facility, on 29th June 2012 this sum transferred to a term loan repayable over 15 years commencing July 2014. Amount repayable within one year is shown within Creditors: amounts falling due within one year. The College has agreed to defer the repayment scheduled for August 2020.

16 Pension and Similar Obligations

The College's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

The total pension contributions paid for the period was £4,547,000 (2019: £3,508,000).

	2020	2019
	£000	£000
STSS: contributions paid	3,064	2,117
LGPS: contributions paid	1,483	1,391
Total pension contributions paid for the year	4,547	3,508

Scottish Teachers' Superannuation Scheme - The STSS scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out under FRS 102, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

The employer contribution increased from 17.2% to 23% on 1 September 2019.

Local Government Pension Scheme - The LGPS is a defined benefit statutory scheme, with the assets held in separate trustee administered funds. It currently provides benefits based on career average revalued earnings. The scheme is subject to triennial valuations

Notes to the Financial Statements (continued)

by independent actuaries, with the most recent valuation being carried out as at 31 March 2017. The employer contribution was set at 17% on 1 April 2017.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2020	%	2019	%
	£000		£000	
Equities	44,844	70	42,260	70
Gilts	3,358	5	2,869	5
Other Bonds	8,282	13	7,368	11
Property	6,565	10	6,826	12
Cash	1,045	2	1,084	2
Alternatives	44	0	30	<1
Total	64,138	100	60,437	100

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2020	2019
Discount rate at 31 July	1.35%	2.15%
Future salary increases	3.25%	3.35%
Future pension increases	2.25%	2.35%

Life expectancy from age 65 years:

Non-pensioners:

Male	19.7	19.7
Female	21.7	21.6

Pensioners (retiring in 20 years):

Male	21.4	21.3
Female	23.6	23.5

Statement of Financial Position	2020	2019
Net Pension Asset as at:	£000	£000
Present value of the defined benefit obligation	(86,647)	(69,807)
Fair value of Fund assets (bid value)	64,138	60,437
Deficit	(22,509)	(9,370)
Unrecognised past service cost	-	-
Impact of asset ceiling	-	-
Net defined benefit liability	(22,509)	(9,370)

Notes to the Financial Statements (continued)

Amounts recognised in the Consolidated Statement of Comprehensive Income	2020 £000	2019 £000
Service cost	3,560	3,307
Net interest on the defined (liability) / asset	186	92
Administration expenses	22	27
Total cost	3,768	3,426

Asset and benefit obligation reconciliation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2020 £000	2019 £000
Opening defined benefit obligation	69,807	60,400
Current service cost	3,464	2,789
Interest cost	1,487	1,588
Change in financial assumptions	13,224	7,501
Change in demographic assumptions	-	(1,997)
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(1,945)	(1,470)
Past service cost, including curtailments	96	518
Contributions by scheme participants and other employers	514	478
Closing defined benefit obligation	86,647	69,807

Notes to the Financial Statements (continued)

Changes in the fair value of scheme assets

	2020	2019
	£000	£000
Reconciliation of opening and closing balances of the fair value of scheme assets		
Opening fair value of scheme Assets	60,437	56,249
Interest on assets	1,301	1,496
Return on assets less interest	2,264	2,322
Other actuarial (losses)	-	-
Administration expenses	(22)	(27)
Contributions by employer included unfunded	1,989	1,787
Contributions by scheme participants and other employers	514	478
Estimated benefits paid unfunded net of transfers in	(2,345)	(1,868)
Fair value of scheme assets at end of period	64,138	60,437

The total return on the fund assets for the year to 31 July 2020 is £3,565,000

Re-measurements in other comprehensive income

Re-measurement of the net assets / (defined liability):

	2020	2019
	£000	£000
Return on Fund assets in excess of interest	2,264	2,322
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(13,224)	(7,501)
Change in demographic assumptions	-	1,997
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Re-measurement of the (defined liability)/net assets	(10,960)	(3,182)

Notes to the Financial Statements (continued)

17 Provisions for Liabilities and Charges	Unfunded Pension £000	2020 Total £000	2019 Total £000
Balance at 1 August	(4,271)	(4,271)	(4,556)
Payments made in period	400	400	398
Provision adjustment required in period	(324)	(324)	(113)
Balance at end of period	<u>(4,195)</u>	<u>(4,195)</u>	<u>(4,271)</u>

The unfunded pension liability is in respect of future pension liabilities arising from early retirals. The valuation of the College's liabilities has been undertaken by independent actuaries.

Amounts recognised in the Income and Expenditure Account	2020 £000	2019 £000
Interest cost	88	115
Total cost	<u>88</u>	<u>115</u>

Benefit obligation reconciliation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2020 £000	2019 £000
Opening defined benefit obligation	4,271	4,556
Interest cost	88	115
Change in financial assumptions	236	172
Change in demographic assumptions	-	(174)
Experience loss/(gain) on defined benefit obligation	-	-
Unfunded pension payments	(400)	(398)
Closing defined benefit obligation	<u>4,195</u>	<u>4,271</u>

Notes to the Financial Statements (continued)

Re-measurements in other comprehensive income

Re-measurement of the net assets / (defined liability):

	2020	2019
	£000	£000
Change in financial assumptions	(236)	(172)
Change in demographic assumptions	-	174
Experience gain/(loss) on defined benefit obligation	-	-
Re-measurement of the (defined liability)/net assets	(236)	2

	2020	2019
	£000	£000
18 Capital Commitments		
Commitments contracted for at period end	23	92

	2020	2019
	£000	£000
19 Financial Commitments		

At period end the College had annual commitments under operating leases as follows:

Payable During the year

Land and Buildings	91	114
Others	75	76
	166	190

Land and Buildings

Not later than 1 year	92	92
Later than 1 year and not later than 5 years	288	320
Later than 5 years	630	688
	1010	1,100

Others

No later than 1 year	72	66
Later than 1 year and not later than 5 years	160	192
Later than 5 years	-	-
	232	258

Notes to the Financial Statements (continued)

20 Post Balance Sheet Events

Details of the Kingsway Development has been given within the Performance Report. The final professional opinion provided by consultants and decision to proceed with demolition of the existing library extension was taken after the year-end. The Scottish Funding Council are fully supportive of this decision and have agreed to contribute funding for costs of demolition and professional fees required for a new design.

21 Contingent Liability

Full provision has been made for all known liabilities.

A contingent liability requires to be noted but cannot be estimated with sufficient accuracy. It affects future employer pension liabilities to LGPS members following a recent employment tribunal (the Goodwin Tribunal) changing the pension entitlement of male survivors in opposite sex marriages to take account of the female member’s service from 6 April 1978 rather than 6 April 1999. This change is not reflected in the valuation of pension liabilities at 31 July 2020 however preliminary estimations by the actuaries has given them confidence that the impact of this decision is unlikely to be material.

22 Related Party Transactions

The Board of Management of Dundee and Angus College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC), who in turn are sponsored by the Scottish Government Employability, Skills and Lifelong Learning Directorate (SGESLLD).

SGESLLD is regarded as a related party. During the period the College had various material transactions with other entities for which SGESLLD is regarded as the sponsor Department, viz; Students Awards Agency for Scotland and Scottish Enterprise Tayside and SFC.

In addition Dundee and Angus College has had a number of material transactions with other Government Departments and other central government bodies.

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions.

<u>Member</u>	<u>Organisation</u>
Neil Louden	Dundee City Council
Pamela Milne	University of Dundee
Margo Williamson	Angus Council
Steven Mill	Angus Council

Due to the nature of the College’s operations and the composition of the Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College’s Board of Management or key Managers of the College may have an interest.

Notes to the Financial Statements (continued)

All transactions involving organisations in which a member of the Board of Management or a key Manager of the College may have a material interest are conducted at arm's length in accordance with normal project and procurement procedures, and their involvement is recorded in the published Register of Members' Interests.

With the listed exceptions below, there were no transactions during the year ended 31 July 2020 with non-public bodies in which any member of the Board of Management or key Manager of the College has an interest and which in aggregate exceeded £5,000.

A College Board member is a Trustee of the Dundee & Angus Foundation.

Exception: Dundee & Angus Foundation

Volume of Activity: £248,000

Balance at 31 July: Nil

Nature: Donations

Exception: Michelin

Volume of Activity: £32,000

Balance at 31 July: Nil

Nature: Tuition Fees.

23 Bursaries and other student support funds	Year ended 31 July 2020			Year ended 31 July 2019	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd	303	11	0	314	30
Allocation received	6,748	416	652	7,816	7,561
Expenditure	(6,759)	(416)	(641)	(7,816)	(7,245)
Repaid to Funding body as Clawback	(303)	0	0	(303)	(32)
Virements	11		118	129	
Balance c/fwd	0	11	129	140	314

Notes to the Financial Statements (continued)

Represented by :

Repayable to Funding body as clawback					(303)
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Retained by College for students	(11)	(129)	(140)	(11)
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Repayments to Funding body as clawback within the year relate to a surplus of funds available from the prior year.

Grants and bursary funds received from both SFC and the Students Award Agency for Scotland are available solely for students; the College acts only as paying agent. The funds and related disbursements are therefore excluded from the Consolidated Statement of Comprehensive Income, with the exception noted below.

In accordance with Accounts Direction for 2019/20 issued by the SFC, Further Education Childcare Funds have been included in the Consolidated Statement of Comprehensive Income. The Childcare funds reported in Note 24 below now incorporate both Higher and Further Education funds.

24 FE & HE Childcare Funds	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Balance b/fwd	-	-
Allocation received	1,349	1,266
Expenditure	(998)	(1,266)
Repaid to Funding Body as Clawback		
Virements	(129)	
Balance c/fwd	222	-

Represented by:

Repayable to Funding body as clawback	(222)	-
Retained by College for students	-	-

Notes to the Financial Statements (continued)

25 Subsidiary Undertakings

Details of the subsidiary company, which is registered in Scotland and 100% owned by the College, is as follows:

Company	Principal Activity
Gardyne Theatre Limited	Promotion of performing arts

The company has no share capital but is limited by guarantee. The ultimate controlling party is Dundee and Angus College, the only member, and control is exercised by virtue of the provisions of the Memorandum and Articles of Association.

The trading results of the subsidiary have been included in the consolidated results.

Notes to the Financial Statements (continued)

Appendix - 1

Accounts direction for Scotland's colleges 2019-20

- 1 It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
- 2 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 3 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.
- 4 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
- 5 The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
- 6 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020